

THE COMMONWEALTH GROWS

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*Making a difference in
Kentucky's agricultural
communities
by cultivating new
economic prosperity.*

JOHN-MARK HACK RESIGNS AS EXECUTIVE DIRECTOR OF GOAP

John-Mark Hack, Executive Director, Governor's Office of Agricultural Policy (GOAP) resigned his positions June 15, 2003. Hack also served as the CEO of the Kentucky Agricultural Development Fund and as President of the Kentucky Tobacco Settlement Trust Corporation.

Governor Paul Patton created the Office of Agricultural Policy in July 1998 to keep him in direct contact with the many changes confronting Kentucky's agricultural industry, especially in the tobacco economy. He named Hack as Executive Director of the office when it was created.

"John-Mark has done an excellent job of overseeing the progress of Kentucky's agricultural policies and administering the direction of the Kentucky Agricultural Development Fund so that the programs across the state are doing what they are intended to do," Patton said. "The amount of success that Kentucky has had with these programs is a direct result of the talents of John-Mark."

Since its creation, the Governor's Office of Agricultural Policy has assumed two highly significant programmatic responsibilities, the Kentucky Tobacco Settlement Trust Corporation and the Agricultural Development Fund.

The Kentucky Tobacco Settlement Trust Corporation was established in 1999 to facilitate distribution of direct cash payments to tobacco farmers from a Trust Fund set up by cigarette companies to offset farmers' short-term income losses in the wake of tobacco industry changes.

Under Hack's direction, Kentucky has been the leader among the 14 states participating in the Trust in administrative efficiency and effectiveness in the distribution of payments, directing the payment of over \$460

million to over 150,000 Kentuckians through the program's first four years.

In 2000, the Kentucky General Assembly created the Agricultural Development Fund using half of Kentucky's proceeds from the national tobacco settlement. The Fund was established to assist farmers in their efforts to diversify their farming operations and reduce their dependence on tobacco income. The General Assembly asked the Governor's Office to administer the Fund, which represents the largest state-financed agricultural diversification effort in the history of the United States.

As CEO of the Fund, Hack has overseen the analysis of over 2000 new farm business project proposals and funding of over 1200 projects and programs all across the state. The Agricultural Development Board has partnered with applicants and committed over \$114 million toward the revitalization of Kentucky's farm economy through on-farm capital improvements, new market development through value-added processing, and new technical assistance programs.

Hack's office also coordinated the state's application to the federal Conservation Reserve Enhancement Program, which led to the largest federally funded agricultural conservation effort in the state's history. The Green River project is focused on what is widely considered to be Kentucky's greatest ecological treasure, and will channel more than \$100 million to area farmers over 15 years to reduce agricultural pollution.

Governor Patton has named Mr. Gene Royalty to take over as Executive Director of GOAP and as CEO of the Agricultural Development Fund. Royalty is a former Secretary of the Economic Development Cabinet and Director in the Department of Agriculture.

LOOKING TO THE FUTURE A FAREWELL FROM JOHN-MARK

The staff of the Governor's Office of Agricultural Policy recently took two days in a retreat setting to focus on the most pressing issues they will face over the next six months. Given that a new gubernatorial administration will take office in December and that the legislature will convene again in January, the staff wants to insure that its focus is on the appropriate priorities during this transitional time.

The state's agricultural leadership should do the same type of thing. Several highly significant events will have a tremendous impact on Kentucky's agricultural family between now and the end of the year, and it is imperative that agricultural leaders be proactive in their approach to managing these issues.

Four major areas come to mind: a buyout of the federal tobacco program, the election of a new Governor, the regular session of the General Assembly, and the Agricultural Development Fund. There is a great deal of overlap and integration of these issues. What follows is a summary of what I believe to be items of most critical importance in each of these areas.



The buyout of the federal tobacco program is front and center for many of the state's agricultural leaders, and rightly so. The opportunity to actually achieve a buyout has never been greater, and will likely never get any better. The most immediately pressing questions include those being addressed in the various pieces of legislation currently under consideration, such as compensation rates and the year on which compensation would be based.

Now is the time to also begin consideration of how to administer a buyout in the most administratively efficient way possible. The objective should be to maximize economic benefit for buyout beneficiaries and minimize the administrative costs of making the actual funds transactions. I would encourage agricultural leaders to not assume that the Commodity Credit Corporation or USDA represents the best means of achieving high efficiencies. There are many areas of government that can be more effectively managed by the private sector, and the administration of a buyout is an example of those



Another area deserving critical thought now is what happens after a buyout. There are likely to be significant rates of land transfers and farms transitioning to other agricultural products. What mechanisms can be put into place to ensure the highest possible retention of farmland in actual agricultural production? How can buyout proceeds be coupled with other resources, such as the Agricultural Development Fund, to facilitate the transition of farms away from tobacco production and into other areas?

The upcoming gubernatorial election is of paramount importance to Kentucky agriculture. The two candidates should be encouraged to maintain the presence of Kentucky's agricultural community at the highest possible levels of government, and in Kentucky that means the Office of the Governor. Governor Patton, through his Office of Agricultural Policy, has effectively demonstrated the importance of this issue. Because of the Governor's unprecedented involvement in agricultural issues, **over \$694 million has been distributed to Kentucky's agricultural community in the past four years.** We have been responsible for over \$460 million in Phase II payments, \$120 million in the first



Construction Cost-Share program. No other governor has been as directly involved in agriculture as Governor Patton, and never before has so much been achieved in so little time.

Because we were working with the authority of the Governor, we were able to achieve this massive fund distribution in a highly efficient and effective manner. We have achieved this distribution of funds with minimal administrative expenses and we can account for every dime. The numbers only tell part of the story though, because they have stimulated a spirit of new agricultural entrepreneurship that is rippling across the state. This monumental achievement simply could not have been accomplished in four years' time without the direct involvement of the state's chief executive as manager and administrator.

The agricultural community should never again accept being relegated to anything other than state government's top tier, and in Kentucky that means the Governor's cabinet. Leaders should give thorough consideration to replacing the elected office of commissioner of agriculture with an organization headed by an appointee of the governor. Doing so would provide better representation of the agricultural community, given that the Commissioner is now primarily chosen by urban voters in Louisville, Lexington and Northern Kentucky who are not directly involved in agricultural issues. Doing so would also provide a higher level of assurance of the individual's qualifications to manage the state's agricultural policy, and provide for a unification of leadership on agricultural issues.

The upcoming legislative session will include consideration of several very important issues as well. The issue of maintaining agriculture's new presence at the highest level of government should be among these issues, as will be the development and provision of new agricultural capital access programs. The General Assembly should also determine the most appropriate means to institutionalize the Agricultural Development Fund program in a new permanent governmental entity, including the Fund and the Agricultural Finance Corporation. These issues are non-partisan, and the farming community should resist any efforts from within or outside state government to mold these issues into partisan affairs.

Last but certainly not least, the Agricultural Development Fund should never be taken for granted. Internally, we are preparing as best we can for the pending transition. The Agricultural Development Board has initially focused on sound business development. Every effort should be made to maintain focus on business development and avoid falling trap to politicians' that would divert funds for political edifices at the expense of our efforts toward rural economic diversification. Dollars should be utilized in proportion to the economic activity they produce and the broadness of its impact.

As a fifth generation Kentuckian, I have been greatly honored to play a leadership role during one of the most important periods in Kentucky's agricultural history over the past 5-½ years. I will always cherish the relationships I have developed with so many of you across the state. I will most cherish the time I have spent with the most dedicated and competent group of people in all of state government. The staff of the Governor's Office of Agricultural Policy is the most dedicated and skilled group of professionals the agricultural community could hope for, and I will always be indebted to them for their outstanding performance during some very difficult times.

I will not be going far, and in fact I'll be keeping a very close eye on how the Agricultural Development Fund evolves and how funds are utilized. On-farm capital investment, new value-added processing capacity, and adequate technical assistance programs are a sound formula for new farm-based business development, and this approach maintained to allow Kentucky agriculture to achieve its great potential.

Subtext



\$4,317,877 Invested in Kentucky Agricultural Diversification in March

State Agricultural Development Funds approved:

\$411,500 Aquaculture of Kentucky, Inc.

Aquaculture of Kentucky, Inc. received a forgivable loan in state funds for the development of a hybrid striped bass and paddlefish hatchery, a fingerling facility, and a smoker plant for value-added aquaculture products in Calloway County. The loan forgiveness shall be achieved through premiums being paid to Kentucky producers over a 10-year period.

\$374,700 Germantown Fair Pavilion

Germantown Fair Pavilion received a \$113,950 loan in state funds, \$210,750 grant in state funds, and \$50,000 grant from county funds to construct a pavilion for livestock marketing shows and education programs, involving both 4-H and FFA. The counties contributing to this project include Bracken, Mason, and Robertson.

\$157,500 Green River Produce Marketing Cooperative

The Green River Produce Marketing Cooperative received a forgivable loan in state funds to finance a cooler, electrical upgrades and watermelon packing line. The forgivable loan shall fall under the repayment conditions in the existing loan between the Cooperative and the Agricultural Development Board.

\$190,000 Kentucky Thoroughbred Owners and Breeders

The Kentucky Thoroughbred Owners and Breeders (KTOB) received state Agriculture Development Funds to continue the research and field monitoring efforts that they feel are vital to finding the causal agents of MRLS. Researchers will partner with equine breeders to implement a modified MRLS monitoring system for the 2003 breeding and foaling season. This system will continue the surveillance established in 2002 and will utilize the results obtained to narrow the focus of the study and provide more effective countermeasures.

\$72,000 Lover's Leap Vineyard

Lover's Leap Vineyard received a forgivable loan consisting of \$69,000 state and \$3,000 Anderson County funds for capital expansion of the existing winery. The funds will be used to purchase equipment, which will allow the winery to increase processing from 5,000 gallons to 30,000 gallons. The loan forgiveness shall be achieved by providing custom processing services to new and existing Kentucky wineries.

\$41,000 Joe Brown McCord, Jr.

Joe Brown McCord received a forgivable loan consisting of \$20,500 state and \$20,500 Clark County funds to establish a prawn (freshwater shrimp) nursery in Clark County. Mr. McCord will construct five pools (following established state guidelines), which would be housed in a greenhouse facility (previously used for tobacco production), each pool is expected to produce between 200,000 and 250,000 juvenile prawns. The loan forgiveness shall be achieved by providing a two-cent discount on the purchase of juveniles to Kentucky producers.

\$34,215 Chrisman Mill Vineyards Inc.

Chrisman Mill Vineyards, Inc. received a forgivable loan consisting of \$24,215 state and \$10,000 in Jessamine County funds to expand and upgrade a successful, existing value-added grape processing facility. This upgrade would increase their juice processing capacity from 2200 to 10,000 gallons a year. The loan forgiveness shall be achieved by providing custom processing services to new and existing Kentucky wineries.

\$32,700 Daniel Moreland

Daniel Moreland received a forgivable loan consisting of \$26,300 state and \$6,400 Pendleton County funds to expand a freshwater shrimp nursery facility in the Northern Kentucky. The expansion will enable the nursery capacity to increase from 80,000 shrimp to an estimated 250,000 shrimp. The loan forgiveness shall be achieved by providing a two-cent dis-

March Funding Continued...

County Agricultural Development Funds approved:

\$27,000 Central Kentucky Aquatics, LLC

Central Kentucky Aquatics LLC received Franklin County funds in the form of a grant to produce red claws, large lobster-like creatures. Central Kentucky Aquatics will provide educational and outreach programs for producers interested in diversifying into red-claw production. The funds will also be used to evaluate markets for the species in Kentucky, and assist producers in reaching these markets.

\$20,000 Owsley County Conservation District

The Owsley County Conservation District received Owsley County funds in the form of a grant to purchase shared-use equipment for county vegetable producers. The equipment included: a raised bed plastic mulch layer with drip attachment, a water wheel transplanter and trailer combination with extra planting wheels, a mulch lifter with automatic reset, a garden plastic layer, an irrigation set, and a single row S840 planter. The equipment will be available to Owsley County producers on a first-come, first-serve basis.

\$9,000 Bracken County Agricultural Advancement Council

The Bracken County Agricultural Advancement Council received Bracken County funds in the form of a grant to construct a hoop style, tarp structure building designed for the youth livestock program. This cooperative project between 4-H, FFA, the Extension Service, and the Bracken County Agriculture Advancement Council will be utilized for meetings, clinics, contests, and other activities. The goal of the program is to better serve the educational needs of youth and to encourage youth to choose agriculture as a career or to study agriculture in college.

\$7,800 Owsley County Conservation District

The Owsley County Conservation District received Owsley County funds in the form of a grant to purchase a shared-use lime spreader for county producers. The lime spreader will be made available on a first-come, first-serve, basis for a rental fee of \$50 per day.

KCADE Funds approved:

\$1,282,206 University of Kentucky Research Foundation

The University of Kentucky Research Foundation received a grant from Kentucky Center for Agricultural Development and Entrepreneurship (KCADE) funds to design and implement a leadership program for entrepreneurial coaches or facilitators in 19 tobacco dependent counties in Northeast Kentucky with a goal of building a stronger entrepreneurial

Model Application Process from the Updated Application

Organizations wishing to administer a county model program should fill out the updated application and submit it following the process. Model program applications are submitted to the County Council. The Council will prioritize the application and forward it on to the state Agricultural Development Board for final approval. Model program applications submitted to the ADB office should include the **original**.

Requests for Additional Funds: For administrators requesting additional funds for their model programs, the following documentation needs to be sent to the ADB office (original and a copy):

- 1) A completed **Proposal Cover Page** (marked 'County Model Request for Additional Fund' in box 11)
- 2) A new **County Council Prioritization Sheet** with original signatures —no copies, please.

Please feel free to call the office should you have any questions regarding the application process.
(502) 564-4627

\$2,896,248 Invested in Kentucky Agricultural Diversification in April

Investments in Model Programs thru May 2003

Agricultural Diversification Program

\$5,953,152

65 Counties

Cattle Genetic Program

\$7,862,215

102 Counties

Cattle Handling Program

\$11,517,735

93 Counties

Forage Improvement Program

\$14,851,421

96 Counties

Goat Diversification Program

\$2,039,666

68 Counties

Hay, Straw, & Commodity Program

\$3,150,854

30 Counties

State Agricultural Development Funds approved:

\$301,959 Cumberland Farm Products Association, Inc.

Cumberland Farm Products received state Agricultural Development Funds as a forgivable loan to purchase the satellite facility and property in Russell County, update computer equipment, and expand the current cooling system at the Monticello facility.

County Agricultural Development Funds approved:

\$50,000 Bullitt County Cattlemen's Association

Bullitt County Cattlemen's Association received a grant of Bullitt County funds for a cost-share lime program for Bullitt County farmers.

\$41,600 Washington County Cattlemen's Association

Washington County Cattlemen's Association received a grant of Washington County funds to establish a Youth Master Cattlemen Program.

\$41,287 Pendleton County Forage Association

Pendleton County Forage Association received a grant of Pendleton County funds to purchase a three hitch type lime spreaders for shared-use equipment.

\$16,333 Laurel County Cattlemen Association

Laurel County Cattlemen Association received a grant of Laurel County funds to purchase two manure spreaders as shared-use equipment.

\$9,047 Taylor County Fair Association

Taylor County Fair Association received a grant of Taylor County funds to build two arched structures for 4-H, FFA, and adult agricultural exhibits and events at the Taylor County Fair Grounds.

\$7,884 Robertson County Soil Conservation

The Robertson County Soil Conservation received a grant of Robertson County funds to purchase a lime spreader to assist producers with spreading lime on steep terrain.

KCADE Funds approved:

\$35,000 Partners for Family Farms

Partners for Family Farms received KCADE funds to conduct a small processing plant feasibility study.

Farm Livestock Fencing Improvement Program

\$416,000

2 Counties

The New Model Programs

On-Farm Water Enhancement Program

\$53,550

1 County

\$5,582,904 Invested in Kentucky Agricultural Diversification in May

State Agricultural Development Funds approved:

\$702,500 Bath County Agricultural Extension Foundation, Inc.

Bath County Agricultural Extension Foundation received \$692,500 in state funds and \$10,000 in Menifee County funds for the development of the Bath County Agricultural Education and Marketing Center. The Center, located along I-64, will include a covered Farmers Market with a storefront, certified commercial kitchen, meeting facilities, a light processing unit, and extension offices.

\$454,125 Kentucky Specialty Meats, Inc.

Kentucky Specialty Meats, Inc. received \$454,125 in state funds, \$251,825 as a forgivable loan and \$202,300 as a low interest loan, to expand their USDA approved commercial meat processing plant to specialize in goat meat products. The funds will also be used to establish a retail meat center to promote goat, sheep, pork and beef products.

\$25,170 Western Kentucky University Research Foundation

Western Kentucky University received state funds to renovate two greenhouses on campus to be used as teaching facilities for students to gain growing, harvesting, and marketing skills in greenhouse production.

County Agricultural Development Funds approved:

\$60,000 Jackson Purchase RC&D Foundation

Jackson Purchase RC&D Foundation received McCracken County funds to establish a cost-sharing program for equipment to implement the precision agriculture into local farming operations.

\$26,720 Harrison County Beef Cattle Association

Harrison County Beef Cattle Association received Harrison County funds to purchase a water wheel setter, a mulch layer, a mulch lifter, two boomless sprayers and two small transport trailers as shared-use equipment for local producers.

\$9,000 Garrard County Board of Education

The Garrard County Board of Education received Garrard County funds for the purchase of scientific equipment for high school and adult students to use in greenhouse education and research.

\$2,100 Scott County Beef Improvement Association, Inc.

Scott County Beef Improvement Association received Scott County funds to expand the cattle and holding facilities use of the Scott County Beef Improvement Association to increase cattle sales in the county.

Goat Study Update

The Kentucky Agricultural Development Board has received the final report of the Dairy and Meat Goat Market Studies. These studies were commissioned by the Board and performed by the Van Erden Group. Don Van Erden presented the findings from the studies at the April 21 Board meeting. Mr. Van Erden provided two separate studies for the dairy and meat goat industries, because of the inherent differences between the two industries. The dairy study looks at both the fluid milk market and value-added processing (e.g. cheese making). The meat study looks at in-state slaughtering, marketing options, and other opportunities. A copy of the study findings is available on our website.

For a copy of a marketing study commissioned by the Agricultural Development Board please email, fax, or mail a request to our office. Be sure to indicate which study you are requesting. The studies available cover the following enterprises:

Wine Marketing
Aquaculture
Meat Goat
Value-Added Soybean

Biomass
Vermiculture
Dairy Goat

NEW MODEL PROGRAMS

At its March meeting, the Agricultural Development Board implemented two new model programs: the Farm Livestock Fencing Improvement Program & the On-Farm Water Enhancement Program

FARM LIVESTOCK FENCING IMPROVEMENT PROGRAM

The goals of the program include:

- 1) Improving net farm income through improved pasture quantity, quality and efficient use for livestock producers.
- 2) Encourage fencing repair or replacement to allow for expansion of contained pasture and forage up to the standard for livestock containment, thus increasing the herd size and carrying capacity of the farm.
- 3) Impact a high number of livestock producers
- 4) Enhance the efficiency and utilization of the current Forage Resource Improvement and Utilization program.



Eligible Cost-Share Items in the Livestock Fencing Improvement Program include:

- 1) Posts, fences, and supplies including woven and wire fencing, not to include plank fencing.

No mechanized equipment will be eligible, except as provided by rental or contract.

ON-FARM WATER ENHANCEMENT PROGRAM

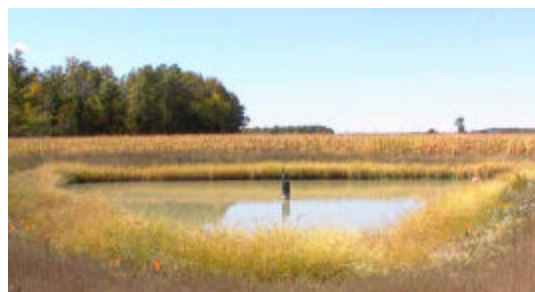
The goals of the on-farm water enhancement program include:

- 1) Impact a high number of producers affected by loss of income resulting from cuts in tobacco quota. An adequate water supply is essential to the future growth and development of Kentucky agriculture and is vital to continued diversification efforts.
- 2) Present farmers with the opportunity to develop on-farm water enhancement systems to address limited water resources. Specifically, this program will give farmers the ability to adopt a proactive and systematic approach to expand existing water supplies or to develop alternative water sources.
- 3) Ensure farmers engaged in crop and livestock production have access to water resources, which is imperative to maximize yields, increase production, control costs of production and improve net farm income.
- 4) Provide program guidelines that will ensure that any on-farm water enhancement plans that are implemented are in compliance with local, state and federal regulations.

Eligible Cost-Share Items in the On-Farm Water Enhancement program include materials, parts, equipment*, cost of contracting construction and drilling for the following on-farm water enhancement systems:

- 1) Establishing and enhancing on-farms ponds
- 2) Drilling for subsurface aquifers and well establishments
- 3) Developing and piping on farm springs
- 4) Construction of small stream water basins

*Eligible equipment is defined as equipment used as part of the on-farm water enhancement system. It does not include construction or drilling equipment.



MODEL PROGRAM & PROJECT REPORTING

As you may know, the deadline for 2003 2nd Quarter Reporting is July 15. Program administrators and other ADF funded applicants have fiscal reports that are due 15 days after the end of each calendar quarter. As you may have also encountered, program administrators delinquent in reporting for a specific program may have subsequent disbursements for that program held, until reporting is up-to-date. Standard model program reporting forms have been available for over a year, and **must be used**. These reports provide important data for analysis of the programs. Therefore, the reports submitted must be in a consistent format within each program.

Model Programs: Reporting forms for model program administrators are available on our website at http://www.kyagpolicy.com/funds/program_reporting.shtml. Forms are also available on each of the model program web pages. If an administrator needs a different format or is having trouble downloading the forms, then call (502) 564-4627 or e-mail govkyagpolicy@mail.state.ky.us and ask for assistance.

Projects: Award recipients for non-model projects should consult their legal agreements for any reporting requirements beyond general fiscal reporting. There is not a standard form yet, but quarterly reports should include the following: project name, tracking number, contact information, detail of money spent for that quarter, and a summary of project activity for the quarter, including an explanation for any delays in the project and the percent completion. Closing reports are due 60 days after the ending date of the legal agreement.

Reporting Deadlines

Quarter	Date
1st	April 15
2nd	July 15
3rd	Oct. 15
4th	Jan. 15

CHANGE IN TOBACCO PAYMENT DATE

Over the past three years, the tobacco companies have been making payments to the state twice a year, once in January and once in April. Many county councils have been submitting funding recommendations for proposals based upon the yearly estimated county receipts. Processing these recommendations has been challenging during the past five months, because the Agricultural Development Board has taken the position that they will not approve projects in which there are not currently sufficient funds. The time interval between the county council submission of funding recommendations and actual deposits into the county account has required staff to work with the county councils to modify the requested dollar amounts, so as to not exceed the amount in each county's account. Unfortunately, this process has been extremely time consuming for both county council administrators and our staff.

Beginning in 2004, tobacco payments will only be made in April of each year. Consequently, the challenges we have all faced, related to the timing of the payments, should not occur in the future. However, all county councils need to be proactive in anticipating funding needs in light of a once a year payment. When considering proposals for 2004 money, remember that payments will not be received into the county accounts until the end of April. For example, say the Cattle Genetics Program needs more funds for an early spring cycle in 2004. It would be in the county's best interest for the program administrator to submit the request early enough in 2003, so that the funds are committed. If the administrator waits until January 2004 to submit a request, then they run the risk of no county funds being available until after their intended funding cycle. Therefore, it would be prudent to allocate funds from April to April rather than relying on the calendar year (January through December). This is only a suggestion and by no means is a requirement.

For your reference, a county activity balance sheet is posted on our website. This sheet is updated monthly after each Agricultural Development Fund Board meeting. If you have questions about your county's balance or identify a discrepancy with the county activity sheet, then please contact your county's Project Analyst at our office.

KENTUCKY OPPORTUNITY MARKETPLACE 2003

On Monday, April 21, the Governor's Office of Agricultural Policy and the Kentucky Center for Agricultural Development & Entrepreneurship hosted the 2nd Annual Kentucky Opportunity Marketplace at the Marriott Griffin Gate Hotel in Lexington, Kentucky. This annual meeting is designed to foster a greater awareness of the agricultural development process and the value of the agriculture industry to Kentucky's economy.

John-Mark Hack welcomed County Council members, producers and supporters to the annual event and emphasized KOM's focus of entrepreneurship, education and leadership. Senator Tom Buford and Representative Susan Westrom welcomed participants to Lexington and shared their enthusiasm for Kentucky's renewed focus on agriculture.



Participants had the opportunity to sample fresh Kentucky products during the Product Show-

The annual meeting of County Agricultural Development Council members commenced after the opening session. This annual meeting brought together council members from across the state to discuss their roles in the agricultural development process. Regional breakout sessions gave councils the opportunity to discuss issues within their areas and to look at opportunities for collaboration.

A wide variety of workshops were made available to participants. The agricultural diversification workshops featured producers who have experience in both production and marketing within a particular enterprise.



Workshops covered topics such as blueberries, aquaculture, organic composting and many other emerging and traditional industries in the state. The leadership & technical assistance workshops provided opportunities for County Council members and others to broaden their skill sets in such leadership topics as *Cultivating New Ideas* or technical assistance topics as *Using Your Computer for Marketing*.

The Opportunity Marketplace also hosted the annual Kentucky Product Showcase. The Showcase highlighted Agricultural Development Funded projects and innovative efforts in the agricultural community. Not only did the exhibits provide valuable information to participants, they also provided a taste of what Kentucky producers have to offer. From bourbon-smoked catfish to fresh mushrooms, goat cheese and beef, Kentucky products shined.

The April meeting of the Agricultural Development Board was held at this year's Kentucky Opportunity Marketplace. This meeting gave County Council member and other event participants the opportunity to witness the State Board in action.

The day ended with an awards reception to recognize the outstanding contributions of individuals and organizations to the diversification of Kentucky's agricultural economy and this historic effort.



KENTUCKY OPPORTUNITY MARKETPLACE 2003 AWARDS RECEPTION

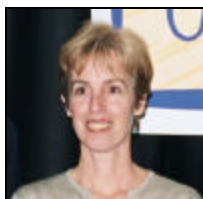
At the second annual Kentucky Opportunity Marketplace last month, the Governor's of Agricultural Policy and the Agricultural Development Board held a reception to recognize the outstanding contributions of individuals and organizations that are leading the way in Kentucky agriculture. County agricultural development councils, county extension agents and outstanding agricultural diversification projects were among those recognized.

The foundation of the cultural change in Kentucky's agriculture community has been the grassroots efforts of the County Agricultural Development Councils. Each county has a council of eight local leaders who volunteer their time and knowledge to addressing the needs of the local producers. These individuals have worked tirelessly over the past two years to ensure that county funds are invested for the long-term benefit of the local producers. Extension agents and fellow council members nominated individuals from counties across the state to be recognized as Outstanding County Council Members. Seven deserving members were chosen from each of the proposed extension areas.



District 1 Outstanding County Council Member is Avavan Williams, the Chairwoman of the Magoffin County Council. As a council member her focus has been to ensure that Magoffin County's funds get to the people the program was designed to help, the tobacco producers.

District 2 Outstanding County Council Member is James Lacy of the Wolfe County Council. Jim has demonstrated outstanding leadership in his county and in the region through his work in supporting the Agricultural Development Fund process.



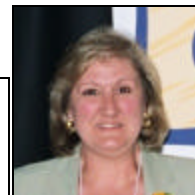
District 3 Outstanding County Council Member is Carla Gerding of the Henry County Council. Carla has been on the forefront in promoting county, region and statewide proposals to enable farmers to survive on remain on the farm.

District 4 Outstanding County Council Member is Ted Kuster of the Bourbon County Council. Ted has devoted his attention to ensure that tobacco farmers are the focus of Bourbon County's investment.



District 5 Outstanding County Council Member is Frank McAninch, the new Chairman of the Casey County Council. Frank has been supportive of the Agricultural Development Fund and outspoken about Casey County Funds being disbursed directly to Casey County producers.

District 6 Outstanding County Council Member is Nancy Butler, Chairwoman of the McLean County Council. Nancy has been supportive of the Ag Development Fund program as a council member, and has volunteered her time to teach at many educational workshops.



District 7 Outstanding County Council Member is Keith Harris of the Marshall County Council. Keith is a dark fired tobacco and grain farmer that has been supportive of new ventures in Western Kentucky.

KENTUCKY OPPORTUNITY MARKETPLACE

2003 AWARDS RECEPTION

The establishment of the Agricultural Development Fund has added yet another facet to the job of most extension agents. As usual our agents throughout Kentucky are addressing the challenge head-on, leading the County Councils and becoming the liaison between the council and our office. County Council members and agents across the state nominated extension agents for the honor of Outstanding Extension Agent. The first annual Outstanding Extension Agent award went to Michael Duckworth, Woodford County. Michael has played an active role in the Agricultural Development process on the local, regional, and state level.



Dean Scott Smith, Commissioner Billy Ray Smith, Representative Roger Thomas & Michael Duckworth

The success of the model programs depends on local organizations volunteering their time and skills administering programs. The Outstanding Model Program Administrator was selected based upon their exemplary record keeping skills and the continued communication with our office. Tommy High, President of the Barren County Cattlemen's Association received this award. Barren County has the largest allocation of Agricultural Development Funds of over \$1 million. The Barren County Cattlemen's Association is administering model programs totaling over \$400 thousand, and Tommy has done an outstanding job at accounting for all of the funds.

The final award of the evening was one that should become an annual ritual in Kentucky agriculture. The Innovations in Agriculture award was designed to recognize those groups and individuals working to keep the entrepreneurship spirit alive and flourishing in Kentucky agriculture. Many of the projects funded through the Agriculture Development Fund have shown innovative approaches to diversifying away from a high dependence on tobacco, but a select few stand out as strong leaders.

The Innovations in Agriculture Award winner in the individual category was Jimmy Baird for his Little Kentucky Smokehouse project. Jimmy is working with central Kentucky pork producers, to produce an antibiotic free, source verified, vacuum packaged ham to be marketed to a variety of stores under the label of Little Kentucky Smokehouse. His commitment to this project and Kentucky pork producers has made this project stand apart.



Dean Scott Smith, Commissioner Billy Ray Smith, Linda Baird, Jimmy Baird & Representative Roger Thomas

The group Innovations in Agriculture Award went to the Green River Cattle Company for their innovative marketing study. Green River Cattle Company is a group of tobacco farmers in Green County who asked the question, "Can beef cattle finished in Kentucky be marketed profitably?" The group is now transitioning from a research group to a small business enterprise, and is looking to expand their reach to other producers in the region.

Kentucky has made history by investing half of the Master Settlement Funds to diversifying agriculture. Yet this investment could not be sustained without the commitment of the thousands of people involved in this historic effort. It has been the individual investments of time, leadership, and entrepreneurship that will ensure the future of the Commonwealth's financial investment in its farm families and rural communities.



Dean Scott Smith, Commissioner Billy Ray Smith, Ed Rogers, Brian Newman, David Givens, Roger Davis & Representative Roger Thomas

PROJECT SPOTLIGHT

SHUCKMAN'S FISH COMPANY & SMOKERY

Kentucky Smoked Catfish. Kentucky Bourbon Smoked Trout. Kentucky Caviar. These might not be the items you associate with Kentucky, but if Lewis Shuckman has his way smoked catfish will become as synonymous with Kentucky as bourbon and bluegrass.

Lewis Shuckman is the third generation of the Shuckman family to own and operate Shuckman's Fish Company and Smokery in Louisville, Kentucky. For most of the 90 years Shuckman's has been in business the company focused on groceries and meat processing. In the early 1990's Lewis saw a changing trend in consumers diets and decided to venture into the aquaculture industry. Over the past ten years Shuckman's Fish Company and Smokery has slowly grown from a local distributor of aquaculture products to a value-added processor specializing in Kentucky aquaculture products.



In September 2002 Shuckman's Fish Company and Smokery received a \$300,000 forgivable loan from the Agricultural Development Funds, which allowed for the purchase and update of processing and manufacturing equipment. This expansion has allowed Shuckman to improve efficiency and increase production to create a diverse selection of value-added products utilizing Kentucky aquaculture products such as shrimp, catfish, trout, large-mouth bass and paddlefish.



The quality of Shuckman's aquaculture products has garnished it a place in several niche markets such as white tablecloth restaurants and gourmet shops in Kentucky and across the United States. At The Oak Room in the Seelbach Hilton Louisville, Shuckman's smoked aquaculture products are frequently found on the menu. Shuckman's also joined forces with a leading name in Kentucky last fall when it announced that Woodford Reserve Distiller's Select Bourbon was the "Official Bourbon" of Shuckman's Fish Company & Smokery.

International notoriety came to Shuckman's Smokery this past February during the Aquaculture America 2003 conference held in Louisville. Individuals from all aspects of the international aquaculture industry toured Shuckman's processing facility and had the opportunity to sample Shuckman's unique products such as Kentucky Spoonfish Caviar and Woodford Reserved Smoked Trout. A flurry of press coverage has followed the event, and Shuckman's has been profiled in papers and magazines such as Seafood International.

Perhaps the most exciting aspect of Shuckman's success is the impact it is having on Kentucky's aquaculture industry. Lewis' dedication and enthusiasm about Kentucky's aquaculture industry and the high quality of Kentucky's aquaculture products is infectious. Spend a few minutes with Lewis and you too will be telling everyone about Kentucky bourbon and Kentucky caviar.



For more information on
Shuckman's Fish Company and Smokery
check out their website at
<http://www.kysmokedfish.com>
or call 502-775-6478.



HOUSE BILL 391

HOME PROCESSING LEGISLATION

On March 12, 2003 the Governor signed House Bill 391 (HB 391), creating new opportunities for Kentucky farmers to add value to their produce in their own home. No longer are producers bound to only selling fresh produce at farmers markets, now they have the opportunity to sell certified home-processed foods such as breads, jams, salsa, canned tomatoes and pies.

HB 391's focus is on the home-based processor and the microprocessor. *Home-based processors* is defined as a farmer who in their home processes and produces whole fruits and vegetables, mixed greens, jams, jellies, sweet sorghum syrup, preserves, fruit butter, bread, fruit pies, cakes or cookies. *Home-based microprocessors* is defined as a farmer who in their home or certified or permitted kitchen, produces or processes acid foods, formulated acid food products, acidified food products, or low-acid canned foods, and who has a net income of less than thirty-five thousand dollars (\$35,000) annually from the sale of the product.

HB 391 exempts home-based processors from needing a permit, like commercial value-added processor, to operate. Yet, those intending to process low acid or acid-modified foods will be required to undergo special certification. HB 391 mandates that in-state training and certification for home-processors of low-acid or acid-modified foods will be set up in four locations across the state. Low acid and acid-modified includes all tomato products (such as canned tomatoes, salsa, and BBQ sauce) and pickled foods. **HB 391 does include certification for meat, eggs, or dairy products.**

Food health standards will not be lowered as a result of HB 391. Home-based processors and microprocessors are subject to annual inspections by the Cabinet for Health Services to ensure that certification and compliance are up to date.

HB 391 is intended to allow for direct marketing of homemade goods, while *increasing* the ability to certify a home kitchen for acid food production. As we continue to work toward reducing our dependency on tobacco, it is important that new areas be open to allow Kentucky producers the opportunity to add value to their current products. HB 391 is an important step in this direction.

For more information on HB 391 and the certification process contact your local extension office or one of the organizations listed below.

Cabinet for Health Services at (502) 564-7181 or Community Farm Alliance at (502) 223-3655

OVERSIGHT COMMITTEE HAS FIRST MEETING

The Tobacco Settlement Agreement Fund Oversight Committee held its first meeting on May 16, 2003. At this meeting the Representative Roger Thomas and Senator Vernie McGaha were elected to serve as co-chairs for the Committee.

The Committee will meet the second Tuesday of each month to review projects submitted to the Agricultural Development Board and expenditures of the Agriculture Development Fund. The Committee is also tasked with the review of expenditures from the Early Childhood Development Fund and the Kentucky Health Care Improvement Fund.

Tobacco Settlement Agreement Fund Oversight Committee

Co-Chair Rep. Roger Thomas, D-Smiths Grove
Co-Chair Sen. Vernie McGaha, R-Russell Springs
Rep. Tom McKee, D-Cynthiana
Rep. Adrian Arnold, D-Mt. Sterling
Rep. Carolyn Belcher, D-Owingsville
Rep. Tommy Turner, R-Somerset
Rep. James Comer, R-Tompkinsville
Sen. Richie Sanders, R-Franklin
Sen. Charlie Borders, R-Russell
Senate Majority Leader Dan Kelly, R-Springfield
Sen. David Boswell, D-Owensboro
Sen. Joey Pendleton, D-Hopkinsville

SAVE THE DATE

July

- 8 Kentucky Agriculture Finance Corporation Meeting.** 10:00 a.m. Capitol Building room 110
- 8 Tobacco Settlement Agreement Fund Oversight Meeting.** 1:00 p.m. Capitol Annex room 131
- 10-12 Second Heartland Apiculture Society Conference.** Midway, Kentucky.
<http://www.heartlandbees.com>
- 11 ADB Project Review Committee Meetings.** 9:00 a.m. Blue & 1:00 p.m. Red
Governor's Office of Agriculture Policy Board Room
- 13-15 State Soil Conservation Meeting.** Bowling Green.
- 17 UK All Commodity Field Day:** 2:00 p.m. - 8:30 p.m. Robinson Station, Jackson.
- 18 Agricultural Development Fund Board Meeting:** 10:00 a.m. Capitol Building room 110
- 22-23 Mobile Processing Unit Training.** Kentucky State University.
<http://www.kysu.edu/landgrant/calendar.htm>
- 26 Evans Orchard Sweet Corn Festival.** Evans Orchard, Scott County.
- 26-27 Kentucky Enrichment Vermiculture Seminar.** Cave City Convention Center.
www.kentuckyenrichment.com

August

- 8 ADB Project Review Committee Meetings.** 9:00 a.m. Blue & 1:00 p.m. Red
Governor's Office of Agriculture Policy Board Room
- 12 Tobacco Settlement Agreement Fund Oversight Meeting.** 1:00 p.m. Capitol Annex room 131
- 15 Agricultural Development Fund Board Meeting:** 10:00 a.m. South Wing Board Room at
Kentucky Fair & Exposition Center, Louisville.
- 14-27 Kentucky State Fair.** Kentucky Fair & Exposition Center, Louisville.

September

- 12 ADB Project Review Committee Meetings.** 9:00 a.m. Blue & 1:00 p.m. Red
Governor's Office of Agriculture Policy Board Room
- 13-15 Evans Orchard Apple Festival.** Evans Orchard, Scott County.
- 19 Agricultural Development Fund Board Meeting.** 10:00 a.m.



Lover's Leap Vineyard & Winery

At Lover's Leap Winery's Blues, Barbeque, and Blackberry Dinner on June 5, Jerry and Ann Holder were recognized for their commitment to Kentucky grape producers. Lover's Leap Winery is providing custom processing services to new and existing Kentucky producers, as forgiveness to a loan they received through the Agricultural Development Fund.

To learn more about Lover's Leap Vineyard and Winery visit their website at www.loversleapvineyardky.com or contact the Holder's at (502) 839-1299.

THE AGRICULTURAL DEVELOPMENT FUND BREAKDOWN

In a recent discussion with a county council member I was shocked to discover that he believed the 65% of the Agricultural Development Funds allocated for state-level projects was available solely for the funding of grant projects. I quickly realized that this individual was not the only person in Kentucky's agriculture community confused with the distribution of state-level funds.

The money used to fund state grant projects accounts for only one of a variety of agricultural enhancement projects earmarked from the 65% of the state-level Agricultural Development Funds.

A significant portion of the state-level fund is allocated in the state budget for conservation programs each fiscal year. Every year for the past four years \$9 million has been disbursed to the Department of Natural Resources for environmental cost-share programs. Money to pay for water line extension bonds is another sizable allocation of state-level funds, with an estimated \$9.1 million earmarked for fiscal year 2004. Farmland Preservation in the Fayette County area has also benefited from the state-level funds. An estimated \$2 million each fiscal year goes toward a bond issued for Farmland Preservation in 2000.

In 2003, the Legislature line-itemed bonuses out of the state-level funds for our local extension agents recognizing their increased responsibilities. Due to the budget constraints faced by the entire Commonwealth, about \$1.1 million was line-itemed out of state-level Agricultural Development Funds to help with the budget deficit. In addition to these reductions, the administrative budget for the Governor's Office of Agricultural Policy and Kentucky Center for Agricultural Development and Entrepreneurship was kept at the same level for each year.

These and other Legislative reductions have resulted in significantly less of the 65% of state-level Agricultural Development Funds available for funding grants that have a statewide impact.

Agricultural Development Fund Budget for Fiscal Year 2004*

*Estimate only

65% or \$54,500,000 to State-level Projects

- ? \$9,000,000 in environmental cost share assistance
- ? \$5,000,000 for debt service on water line extension bond issue authorized in 2003
- ? \$513,300 for budget reduction orders
- ? \$4,100,000 for debt service on water line extension bond issue authorized in 2000
- ? \$2,000,000 for debt service on farmland preservation bond issue authorized in 2000
- ? \$1,600,000 for merit-based bonuses for cooperative extension agents
- ? \$1,869,900 for administrative support for ADB and KCADE
- ? \$11,358,300 for state-level agricultural development projects

35% or \$19,092,500 to County-level Projects

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